

# Solomon Elementary School District

Performance Audit

July 2019  
Report 19-206



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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**Vicki Hanson**, Director  
**Ann Orrico**, Manager

**Jennie Snedecor**, Team Leader  
**Gina Alvarado**  
**Angela Hanson**  
**Danielle Perry**

## Contact Information

Arizona Office of the Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018-7271

(602) 553-0333

[www.azauditor.gov](http://www.azauditor.gov)



**MELANIE M. CHESNEY**  
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**LINDSEY A. PERRY**

**JOSEPH D. MOORE**  
DEPUTY AUDITOR GENERAL

July 29, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Solomon Elementary School District

Mr. Kevin England, Superintendent  
Solomon Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Solomon Elementary School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations and plans to implement or implement a modification to all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey Perry, CPA, CFE  
Auditor General



## Solomon Elementary School District

**CONCLUSION:** In fiscal year 2017, Solomon Elementary School District's (District) student passage rates on State assessments were similar to or higher than the peer districts' averages, and the District's operations were reasonably efficient overall for its small size. Despite its reasonably efficient operations, the District needs to strengthen some of its accounting and computer controls, help ensure student and employee health and safety by implementing a plan to prevent bat infestations, and improve transportation program oversight.

### Student achievement and operational efficiency

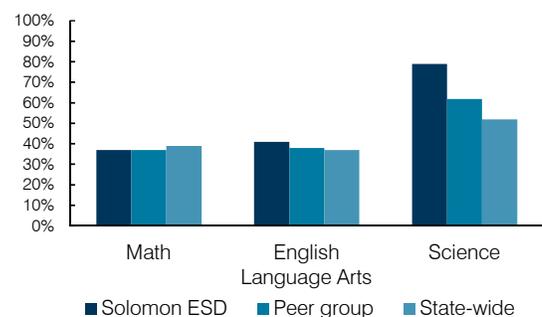
**Student achievement similar to peer districts'**—For very small districts such as Sentinel ESD, year-to-year changes in student populations can greatly impact year-to-year student test scores. In fiscal year 2017, Solomon ESD's student passage rates on State assessments were similar to or higher than the peer districts' averages in all 3 tested areas.

**District's operations reasonably efficient overall**—In fiscal year 2017, the District's administrative costs per pupil were lower than the peer districts' average because it served about twice as many students as the peer districts, on average, and therefore, fixed costs such as the superintendent's salary were spread across more students when calculating administrative costs per pupil. Compared to peer districts' averages, the District's fiscal year 2017 plant operations costs were much lower than the peer districts' averages both per square foot and per pupil because it made efficient use of its building space. The District's food service program was reasonably efficient, with a lower cost per meal than the peer districts' average because its 2 regular food service workers also worked as bus drivers when not performing food service duties. Finally, the District's transportation costs were mixed, with higher per mile costs but lower per rider costs primarily because it drove 79 percent fewer miles per rider than the peer districts, on average.

### District's inadequate controls increased risk of errors and fraud

**Inadequate purchasing and payroll controls**—The District had an increased risk of errors and fraud because it did not sufficiently separate responsibilities related to its purchasing and payroll processes. One District employee, with limited review, was responsible for performing the entire purchasing and payroll processes. Allowing an individual to initiate and complete purchasing and payroll transactions could allow the processing of false payments to vendors or employees. In addition, the District did not always maintain adequate documentation showing approval for some employee payments, and during our review of payroll records for 30 District employees, we found that 3 employees were paid incorrect amounts.

### Percentage of students who passed State assessments Fiscal year 2017



### Comparison of cost measures Fiscal year 2017

Cost measure	Solomon ESD	Peer group average
Administrative cost per pupil	\$2,258	\$3,137
Plant operations cost per square foot	3.85	6.96
Plant operations cost per pupil	950	2,644
Food service cost per meal	3.70	5.79
Transportation cost per mile	2.42	1.87
Transportation cost per rider	476	1,459

**Performance pay**—Although mandated by statute, in fiscal year 2017, the District did not require the superintendent to meet performance-based goals to receive a portion of his salary. In addition, the District did not retain documentation showing that its teachers met a performance goal, which earned them 25 percent of available Classroom Site Fund performance pay.

**Computer controls**—The District lacked adequate controls over its computer network and information technology (IT) systems, which exposed it to an increased risk of unauthorized access to these critical systems and potential data loss. Specifically, the District assigned some employees too much access to its accounting system, and some of the District’s network-connected servers were using outdated operating systems, including operating systems that will become unsupported within the next year. Further, the District lacked adequate password requirements for access to its accounting and student information systems as well as a written, up-to-date IT contingency plan to help ensure continued operations in the event of a system or equipment failure or interruption.

## Recommendations

The District should:

- Implement stronger controls over its purchasing and payroll processes.
- Require the superintendent to meet performance goals to earn a portion of his pay and ensure it retains adequate documentation to demonstrate that teachers’ performance pay goals were met.
- Implement stronger controls over its computer network and systems.

## Bat infestations created potential health and safety concerns

In fiscal year 2000, the District experienced a bat infestation in the attic spaces over its classroom building and contracted with an environmental consultant to assess and remediate the bat infestation, including removing bats and bat guano and sealing the building. At that time, the consultant advised the District to reassess the attic spaces again in 5 years to address any further bat issues and create and incorporate a bat prevention plan into its overall building preventative maintenance plan. However, the District failed to reassess the attic and develop a bat prevention plan. In fiscal year 2017, another bat infestation occurred in the attic spaces over several of the District’s classrooms, and the District had to once again undertake remediation efforts. Developing and following a bat prevention plan that includes periodic assessment and remediation of bats and bat guano is an important component in facilities management and would help protect the District’s facilities, minimize costly emergency cleanup and repairs, and help protect the health and safety of students and employees.



Bat guano above classroom ceilings

## Recommendation

The District should ensure it addresses any potential health and safety hazards related to its fiscal year 2017 bat infestation and develop and implement a bat prevention plan.

## District needs to improve transportation program oversight

The District lacked documentation showing that it met all requirements of the State’s *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards). Specifically, the District did not ensure that bus preventative maintenance and pretrip inspections were consistently performed as required by the Minimum Standards. In addition, the District incorrectly reported its miles and riders for State funding purposes and lacked adequate controls over the fuel cards it used to purchase fuel from a local vendor, increasing its risk of fraud or misuse of the fuel cards.

## Recommendations

The District should:

- Ensure it meets all requirements regarding bus preventative maintenance and pretrip inspections to comply with the Minimum Standards and help ensure a safe transportation program.
- Correct errors it made in reporting its miles and riders.
- Strengthen fuel card controls.



# TABLE OF CONTENTS

<b>District overview</b>	1
Student achievement	
District's operations were reasonably efficient overall, but some improvements needed	
<b>Finding 1: District's inadequate accounting and computer controls increased risk of errors and fraud and led to incorrect payments</b>	3
Issue 1: Purchasing and payroll controls need strengthening to reduce risk of errors and fraud	
Purchasing controls need strengthening	
Inadequate payroll controls led to increased risk of errors and fraud and resulted in incorrect payments to employees	
<b>Recommendations</b>	
Issue 2: District did not include statutorily required performance pay in superintendent's contract and did not retain documentation showing that teachers met all performance pay goals	
Superintendent's contract did not meet statutory requirements for performance pay	
Teachers' performance pay not adequately documented	
<b>Recommendations</b>	
Issue 3: Computer controls need strengthening	
District assigned some employees too much access to its accounting system	
Outdated and unsupported operating systems	
Accounting and student information system password requirements were insufficient	
District lacked IT contingency plan and backup protections	
<b>Recommendations</b>	
<b>Finding 2: Bat infestations created potential health and safety concerns</b>	7
District should develop and implement a bat prevention plan to prevent future bat infestations	
<b>Recommendations</b>	
<b>Finding 3: District needs to improve transportation program oversight</b>	9
Issue 1: District did not perform required bus preventative maintenance for 1 bus and did not ensure pretrip inspections were being performed	
<b>Recommendations</b>	

Issue 2: District incorrectly reported miles and riders for State funding purposes

Recommendations

Issue 3: District could not ensure that all fuel purchases were appropriate because it lacked sufficient controls over fuel cards

Recommendations

**Summary of recommendations: Auditor General makes 19 recommendations to the District** 13

**Appendix: Objectives, scope, and methodology** a-1

**District response**

**Figure**

1 Percentage of students who passed State assessments  
Fiscal year 2017  
(Unaudited) 1

**Photo**

1 Bat guano found above classroom ceilings, which led to visible staining of classrooms' plaster  
ceilings, and bat guano draining down classroom walls 7

**Table**

1 Comparison of cost measures  
Fiscal year 2017  
(Unaudited) 2



# DISTRICT OVERVIEW

Solomon Elementary School District (District) is a rural district located in southeastern Arizona in Graham County. In fiscal year 2017, the District served 180 students in kindergarten through 8th grade at its 1 school.

In fiscal year 2017, the percentage of the District's students who passed State assessments was similar to the peer districts' averages in Math and English Language Arts and higher in Science, and most of the District's operations were reasonably efficient overall for its small size.<sup>1</sup> However, the District needs to strengthen some of its accounting and computer controls, ensure a portion of its superintendent's annual pay is performance-based, and ensure that his contract includes the goals that must be met to earn that portion of pay. Also, the District should retain all documentation related to its teachers' achievement of performance goals to ensure that they met all performance pay requirements. Additionally, the District should help ensure student and employee health and safety by implementing a plan to prevent future bat infestations and should improve transportation program oversight.

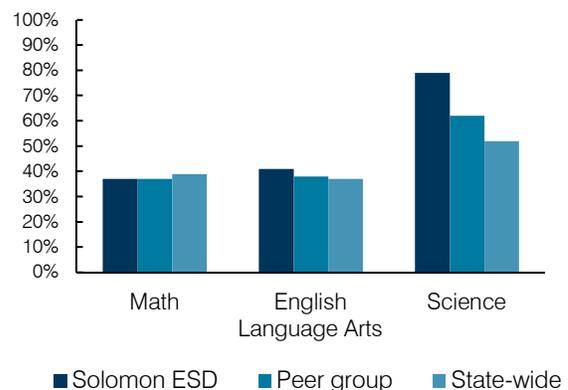
## Student achievement

In fiscal year 2017, 37 percent of the District's students passed the State assessments in Math, 41 percent in English Language Arts, and 79 percent in Science. As shown in Figure 1, the District's passage rates were similar to the peer districts' averages in Math and English Language Arts and higher in Science. However, for very small districts such as Solomon ESD, year-to-year changes in student populations can greatly impact year-to-year student test scores. Additionally, the District's school received a B letter grade under the Arizona Department of Education's A-F Accountability System for the 2016-2017 school year.

## District's operations were reasonably efficient overall, but some improvements needed

As shown in Table 1 on page 2 and based on our review of various performance measures, in fiscal year 2017, the District's operations were reasonably efficient overall for its small size. The District spent much less per pupil in total operational spending and in almost all operational areas primarily because it did not receive small-school-adjustment monies unlike most of its peer districts and because it received less transportation monies per pupil than the peer districts.<sup>2,3</sup> Despite the District's reasonably

**Figure 1**  
**Percentage of students who passed State assessments**  
**Fiscal year 2017**  
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2017 test results on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS).

<sup>1</sup> We developed 2 peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

<sup>2</sup> Operational spending includes costs incurred for the District's day-to-day operations. For further explanation, see Appendix page a-1.

<sup>3</sup> Arizona Revised Statutes (A.R.S.) §15-949 allows school districts with 125 or fewer students in kindergarten through 8th grade to increase their expenditure budget limits based on need as determined by school districts' governing boards, without voter approval. Statute does not limit the amount of the small school adjustment. Because the District had 180 students in fiscal year 2017, it was not eligible to receive a small school adjustment.

efficient operations, we identified opportunities for improvements.

**Administrative costs lower, but inadequate controls increased risk of errors and fraud and led to incorrect payments—**

The District’s \$2,258 per pupil administrative costs were 28 percent lower than the peer districts’ average because it served about twice as many students as the peer districts, on average, and therefore, fixed costs such as the superintendent’s salary were spread across more students when calculating administrative costs per pupil. Despite the lower costs, the District needs to strengthen some of its accounting and computer controls. In addition, although mandated by statute, the District did not require the superintendent to meet performance-based goals to receive a portion of his salary, and it did not retain documentation showing that its teachers met all their performance goals (see Finding 1, page 3).

**Table 1**  
**Comparison of cost measures**  
**Fiscal year 2017**  
 (Unaudited)

Cost measure	Solomon ESD	Peer group average	State average
Total operational spending per pupil	\$9,463	\$17,454	\$8,141
Instructional spending per pupil	4,496	8,613	4,377
Administrative cost per pupil	2,258	3,137	844
Plant operations cost per square foot	3.85	6.96	6.30
Plant operations cost per pupil	950	2,644	977
Food service cost per meal	3.70	5.79	2.88
Transportation cost per mile	2.42	1.87	3.84
Transportation cost per rider	476	1,459	1,198

Source: Auditor General staff analysis of fiscal year 2017 district-reported accounting data; Arizona Department of Education student membership data; School Facilities Board square footage data; and district-reported data on meals served, miles driven, and riders transported.

**Much lower plant operations costs, but improvements needed to help prevent potential health and safety issues—**

Compared to peer districts’ averages, the District’s fiscal year 2017 plant operations costs were 45 percent lower per square foot and 64 percent lower per pupil. The District was able to spend less on plant operations primarily because it made efficient use of its building space. Specifically, the District operated and maintained 40 percent fewer square feet per pupil than the peer districts, on average. However, in fiscal year 2000 and again in fiscal year 2017, the District experienced bat infestations in the attic spaces of its classroom building. As recommended by the environmental consultants who remediated the bat infestations, the District should incorporate a bat prevention plan into its overall building preventative maintenance plan to protect it from future infestations and potential health and safety issues (see Finding 2, page 7).

**Efficient food service program—**The District’s \$3.70 cost per meal was 36 percent lower than the peer districts’ average. The District had a lower cost per meal primarily because it incurred lower salary and benefits costs, and it was able to do this by having its 2 regular food service workers also work as bus drivers when not performing food service duties.

**Reasonably efficient transportation program, but better oversight needed—**The District’s \$2.42 cost per mile was 29 percent higher than the peer districts’ average, but its \$476 cost per rider was 67 percent lower than the peer districts’ average. The District’s transportation costs were mixed primarily because it drove 79 percent fewer miles per rider than the peer districts, on average. In addition, the District’s cost per mile was higher than the peer districts’ average primarily because the District incurred some additional, infrequent transportation costs in fiscal year 2017 for buses that required major repairs. Had the District not incurred these additional costs, its cost per mile would have been similar to the peer districts’ average. Even though the District had a higher cost per mile, we found the program to be reasonably efficient. The District operated 4 bus routes that ran in different directions and could not be combined to reduce costs. In addition, bus drivers performed other jobs at the District, such as food service worker or instructional aide, when not driving. However, the District needs to improve transportation program oversight as it did not perform required bus preventative maintenance for 1 of its 6 buses, it made errors when reporting its fiscal year 2017 bus route miles traveled and riders transported, and it did not ensure that bus pretrip inspections were being completed daily. Further, the District lacked adequate controls over its fuel card purchases, which could lead to inappropriate purchases (see Finding 3, page 9).

## District's inadequate accounting and computer controls increased risk of errors and fraud and led to incorrect payments

We identified 3 areas where the District needs to strengthen its accounting and computer controls. Specifically: (1) purchasing and payroll controls need strengthening, (2) the District did not follow all performance pay requirements for its superintendent and teachers, and (3) computer controls need strengthening. These control deficiencies exposed the District to an increased risk of errors and fraud, and some led to incorrect payments.

### Issue 1: Purchasing and payroll controls need strengthening to reduce risk of errors and fraud

#### Purchasing controls need strengthening

The District should strengthen its purchasing procedures by better separating responsibilities to reduce the risk of errors and fraud. In fiscal year 2017, 1 District employee, with limited review, was responsible for adding new vendors in the accounting system, ordering goods and services, recording expenses, and distributing payments to vendors. Allowing an individual the ability to initiate and complete a transaction without an independent review could allow the processing of false payments. Although the District is very small, it has adequate staffing to ensure proper compensating controls are in place. Specifically, the District could better ensure that vendor payments are accurate and appropriate by requiring that an authorized employee, such as the District's superintendent or 1 of the 2 District office administrative assistants, review the vendor checks and supporting documentation before sending the payments. Additionally, each of these 2 employees could review the other's work at key steps in the process.



#### Inadequate payroll controls led to increased risk of errors and fraud and resulted in incorrect payments to employees

We interviewed District employees about the District's payroll process and reviewed records for 30 of the 40 employees who received payments in fiscal year 2017 and found the following:

**Payroll lacked proper separation of responsibilities**—The District had an increased risk of errors and

fraud—such as processing false payments or modifying employee pay rates—because it did not sufficiently separate responsibilities related to its payroll processing. One District employee, with little supervision, was responsible for entering and modifying employee pay rates and updating other employee information within the District’s payroll system, recording payroll expenses, and distributing paychecks. Although a District employee reviewed payroll before it was processed, this review did not include sufficient detail to identify errors and ensure that employees were paid the correct amounts.

**Approval for some employee payments not properly documented and some payments differed from documented pay rates**—

The District did not always maintain adequate documentation showing that the pay rate, contract amount, or agreement effective dates were approved for certain employees or that pay for additional duties was approved prior to the work being performed. We found that 9 of the 30 employees reviewed received payments totaling \$24,622 in salaries and benefits for performing duties, such as substitute teaching, coaching, computer support, and instructional aide duties, with no supporting documentation to indicate that the District’s governing board approved the duties and pay, such as signed and dated contracts with pay rates for fiscal year 2017. In some instances, documentation of additional duties was maintained, but it was not dated and sometimes included pay rates that did not match what the employees were actually paid. Also, the District did not have a fiscal year 2017 employment contract or other agreement for an employee who performed information-technology-related duties but worked entirely off-site. The only documentation the District maintained for this employee was the employee’s biweekly time sheets and governing board meeting minutes from fiscal year 2015 showing the employee’s pay rate for that year.

**Some employees paid incorrect amounts**—

We also found that the District did not accurately pay 3 of the 30 employees sampled. Specifically, the District paid 1 employee for more hours than the employee worked because the employee’s pay was improperly prorated, resulting in a \$139 overpayment. Another employee was paid more than the hourly rate approved on the employee’s work agreement because the rate was entered incorrectly in the payroll system, resulting in a \$78 overpayment. Further, because of an oversight, the District failed to pay an employee \$100 for performing additional duties at a District event.

**Incorrect payments**—The District did not accurately pay 3 of the 30 sampled employees.



One was underpaid <b>\$100</b>	One was overpaid <b>\$78</b>	One was overpaid <b>\$139</b>
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**Recommendations**

The District should:

1. Implement proper controls over its purchasing process by having the superintendent or District office administrative assistants review the vendor checks and supporting documentation before sending the payments.
2. Implement controls over its payroll process by including additional District employees in the process to ensure proper separation of responsibilities.
3. Ensure that employees’ duties or additional duties and related payments are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the *Uniform System of Financial Records for Arizona School Districts*, and maintained in employee personnel files.
4. Establish and implement procedures to review employee pay to help ensure that employees are paid correctly and rectify any overpayments or underpayments made to employees.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement recommendations 1, 3, and 4 and will implement a modification to recommendation 2.

## Issue 2: District did not include statutorily required performance pay in superintendent's contract and did not retain documentation showing that teachers met all performance pay goals

### Superintendent's contract did not meet statutory requirements for performance pay

A.R.S. §15-341(A)(39) requires that up to 20 percent of a superintendent's total annual salary be classified as performance pay based on whether he/she meets the performance goals identified in statute unless the district's governing board adopts alternative goals. However, although the superintendent's contract for fiscal year 2017 was approved by the District's Governing Board, the contract lacked the required performance-based pay component. Therefore, in fiscal year 2017, the District's superintendent received the full contracted salary amount despite not being required to meet any performance-based goals. The superintendent's contract for fiscal years 2018 and 2019 also lacked the required performance-based pay component.

### Teachers' performance pay not adequately documented

In fiscal year 2017, the District spent over \$23,000 of its Classroom Site Fund (CSF) monies for performance pay purposes as authorized by statute.<sup>4</sup> Based on the District's CSF performance pay plan, teachers received 25 percent of available performance pay monies because at least two-thirds of parents responding to a survey were reportedly satisfied with the District's performance. However, the District did not retain the actual surveys parents completed. Without this documentation, the District could not demonstrate that the goal was actually achieved and whether teachers were appropriately paid \$642 each, or about \$6,500 of the total performance pay the District paid in fiscal year 2017.

#### Recommendations

The District should:

5. Ensure that its superintendent's contract is structured in a manner in which up to 20 percent of the superintendent's total annual salary is classified as performance pay, and that the contract includes the performance goals the superintendent must meet in order to receive that portion of pay.
6. Ensure that it retains adequate documentation to demonstrate that teachers met their performance pay goals.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

## Issue 3: Computer controls need strengthening

### District assigned some employees too much access to its accounting system

We reviewed the District's June 2018 user access report for the District's 2 users with access to the accounting system and found that 1 user had more access to the accounting system than appropriate, which could allow the user to initiate and complete payroll and purchasing transactions without an independent review and approval.

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<sup>4</sup> In November 2000, voters passed Proposition 301, which increased the State-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund monies, may be spent only for specific purposes, primarily increasing teacher pay through base pay increases and performance pay.

Granting users such broad access exposed the District to an increased risk of errors and fraud, such as processing false invoices, changing employee pay rates, or adding and paying nonexistent vendors or employees.

## Outdated and unsupported operating systems

The District did not assess security risks associated with using outdated operating systems. We determined that some of the District's network-connected servers were using outdated operating systems, including operating systems that will become unsupported within the next year. The use of outdated and unsupported operating systems could compromise the District's computer network and its sensitive information. Outdated and unsupported operating systems are at higher risk of computer-related attacks because the manufacturers no longer provide fixes for vulnerabilities discovered in the systems.

## Accounting and student information system password requirements were insufficient

Password requirements help to protect the District's information technology (IT) resources, which include its systems, network, and data, from unauthorized or inappropriate access or use, manipulation, damage, or loss. Therefore, network and system password policies should require strong passwords and be applied to all accounts. However, we reviewed the District's system password configurations as of July 2018 and determined that the District's accounting and student information system password policies were not aligned with industry standards, such as those developed by the National Institute of Standards and Technology (NIST). Without relying on proven configurations from industry standards, the District's passwords could lack the strength needed to protect the District's systems and data.

## District lacked IT contingency plan and backup protections

The District did not have a written, up-to-date IT contingency plan even though it maintained critical student and accounting information on its computer network and systems. A customized written contingency plan would help ensure continued operations in the event of a system or equipment failure or interruption. The plan should include detailed information on how to restore systems in such an event and should identify the individuals responsible for each step. In addition, as part of maintaining a contingency plan, the District should review the documented plan, at least annually, to ensure all individuals understand their responsibilities and that the plan accurately reflects the environment it is written to protect. Further, system and data backups are critical to assist restoration in the event of a system or equipment failure or interruption. District officials stated that the District maintained backup drives of its data. However, it stored these drives in the same room where its servers were located, with no other external copies. A copy of backups should be stored in a secure location separate from servers to ensure data is available even in the event of the loss of property.

### Recommendations

The District should:

7. Limit users' access in the accounting system to help ensure that no employee can initiate and complete a transaction without an independent review and approval.
8. Ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attacks by limiting their use and/or remove the network access to these servers.
9. Implement and enforce stronger password requirements for its accounting and student information systems.
10. Create and implement a customized written IT contingency plan, test it periodically to identify and remedy any deficiencies, and store backup drives in a secure location, separate from its server.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.



## Bat infestations created potential health and safety concerns

### District should develop and implement a bat prevention plan to prevent future bat infestations

In fiscal years 2000 and 2017, bat infestations of the District's classroom building caused potential student and employee health and safety issues. In fiscal year 2000, using emergency funding from the School Facilities Board, the District contracted with an environmental consultant to assess and remediate a bat infestation that had formed in the attic spaces between the roof and the ceiling of the District's classroom building. At that time, District officials had identified visible piles of bat guano in the attic spaces and air ducts, and they requested that the consultant remove the bats and seal the school building to prevent reinfestation. Once the contractor removed the bats and cleaned the attic spaces, it advised the District that an assessment of the spaces should be performed again in 5 years to address any further bat issues and that the District should create and incorporate a bat prevention plan into its overall building preventative maintenance plan. However, the District failed to perform this assessment, and it did not incorporate a bat prevention plan into its overall building preventative maintenance plan.

#### Photo 1

**Bat guano found above classroom ceilings, which led to visible staining of classrooms' plaster ceilings, and bat guano draining down classroom walls**



Source: Photos taken by District's environmental consultants, February 23, 2017.

In fiscal year 2017, heavy rainfall caused water damage to parts of the District's roof, leading to the discovery of another bat infestation in the attic spaces over several of the District's classrooms. Large amounts of bat guano were found in the attic spaces and draining down classroom walls. The District was advised once again by environmental consultants to create a bat prevention plan. When we visited the District's school in June 2018, the bat infestation that occurred earlier in the fiscal year had been removed from the school building attic spaces, and the District was in the process of obtaining bids to have the building sealed. However, we observed live bats around the school building and dead bats in 1 unoccupied classroom. In addition, the building smelled of bat guano. Developing and following a comprehensive preventative maintenance plan, including a bat prevention plan that includes periodic assessment and remediation of bats and bat guano, is an important component in

facilities management and would help protect the District's facilities, minimize costly emergency cleanup and repairs, and help protect the health and safety of students and employees.

### **Recommendations**

The District should:

11. Continue working to seal the classroom building and address any potential health and safety hazards related to its fiscal year 2017 bat infestation.
12. Incorporate a bat prevention plan into its overall building preventative maintenance plan to protect it from future infestations and health and safety risks as recommended in consultant reports from the 2 prior bat infestations.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.



## District needs to improve transportation program oversight

We identified 3 areas where the District needs to improve its transportation program oversight. Specifically, the District (1) did not always have documentation to show it performed required bus preventative maintenance or pretrip inspections, (2) incorrectly reported its miles and riders for State funding purposes, and (3) could not ensure that all fuel purchases were appropriate because it lacked sufficient controls over its fuel cards.

### Issue 1: District did not perform required bus preventative maintenance for 1 bus and did not ensure pretrip inspections were being performed

According to the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards), districts must be able to demonstrate that their school buses receive systematic preventative maintenance. Preventative maintenance includes items such as periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. In addition, the Minimum Standards also require districts to demonstrate that their school bus drivers perform pretrip inspections of each school bus before it is operated for the first time each day. These standards are designed to help ensure the safety and welfare of school bus passengers, and extend the useful life of buses.

The District did not have a formal, written policy that states what preventative maintenance work will be completed at what mileage or time frame. Instead, District officials stated that they have an informal policy of performing bus preventative maintenance at least twice each fiscal year. However, our review of fiscal year 2017 vendor invoices for bus maintenance for all 6 of the District's buses found that 1 bus did not have any preventative maintenance performed in fiscal year 2017. This bus traveled less than 5,000 miles in the fiscal year, but the District should ensure that it follows its bus preventative maintenance policy to ensure bus safety. In addition, the District did not have documentation to show that bus drivers performed pretrip inspections each time the buses were driven. Our review of weekly pretrip inspection checklists from the first 100 school days of fiscal year 2017 for 3 of the District's 6 buses found 14 instances where there were no documented pretrip inspections.

#### Recommendations

The District should:

13. Establish a formal written policy that states what preventative maintenance work will be completed at what mileage or time frame, perform bus preventative maintenance in accordance with its policy, and maintain documentation of preventative maintenance performed to comply with the Minimum Standards and help ensure a safe transportation program.
14. Ensure its bus drivers perform pretrip inspections and should maintain documentation of these inspections.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

## Issue 2: District incorrectly reported miles and riders for State funding purposes

In fiscal year 2017, the District incorrectly reported to the Arizona Department of Education (ADE) the number of route miles traveled and eligible students transported. Specifically, the District overstated the miles it traveled by 4,303, or 11 percent of its total miles. Additionally, the District reported the number of students eligible for transportation rather than the number of students actually transported as A.R.S. §15-922 requires, resulting in the District overreporting its number of riders by 56, or 24 percent of total riders.

Although the District's errors in fiscal year 2017 did not ultimately have a substantial impact on the District's transportation funding, the District should ensure it is meeting reporting requirements by accurately reporting route mileage and riders to ADE for State funding purposes and should work with ADE to determine whether a correction for fiscal year 2017 is needed. Additionally, having accurate mileage and ridership information would allow the District to calculate and monitor performance measures, such as cost per mile and cost per rider, to assess its transportation program's efficiency.

### Recommendations

The District should:

15. Accurately calculate and report to ADE for State funding purposes the number of route miles traveled and actual number of students transported.
16. Work with ADE to determine whether it should correct errors it made in reporting its fiscal year 2017 miles and riders.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

## Issue 3: District could not ensure that all fuel purchases were appropriate because it lacked sufficient controls over fuel cards

Because the District did not have its own fuel tanks, it provided fuel cards from a local vendor to District staff who needed to fuel buses and white fleet vehicles, which are other District vehicles, such as vans and trucks. The vendor's electronic fueling system logged individuals' fuel purchases and sent an invoice and receipts to the District at the end of each month. Although the superintendent reviewed the invoices and receipts and approved the purchases before payment, several issues indicate there were not sufficient controls to ensure that all fuel purchases were appropriate:

- **Vehicles being fueled not identified and fueling system did not require accurate odometer readings, which undermines accountability**—When a District employee fueled a vehicle, they were not required to enter a vehicle identification number, so the District could not determine whether all fuel purchases were for District vehicles or were appropriate based on transaction details. In addition, the vendor's fueling system did not require District staff to enter accurate vehicle odometer readings. We reviewed all vendor invoices for December 2016 through June 2017 and found several instances where District staff entered random numbers instead of actual odometer readings. For example, one employee oftentimes did not enter an accurate odometer reading but instead would enter a single numeric digit. Because irregularities such as these could signal possible fuel theft, the District should ensure that staff are required to enter correct information into the vendor's fueling system.
- **No restrictions on fueling days and times**—District staff were not restricted as to the days or times when they could fuel vehicles or the number of times each week a vehicle could be fueled. We found 5 fuel card

purchases between December 2016 and June 2017 that occurred on days when the District was not in session, such as weekends and school breaks. Although there could be reasonable explanations for these purchases, there was no documentation indicating that the District investigated these purchases to ensure their appropriateness.

- **Superintendent’s fuel purchases were not reviewed for appropriateness**—Although the superintendent reviewed District employees’ fuel purchases for appropriateness, no one reviewed his fuel purchases.

Because these control weaknesses increase the District's risk of fraud or misuse of its fuel cards, the District should work with its fuel vendor to determine whether the vendor can add controls, such as requiring vehicle numbers and accurate or reasonable odometer readings and restrictions on days and times vehicles can be fueled, to its fuel systems.

## Recommendations

The District should:

17. Implement proper controls over its fuel card process, such as requiring employees to record the vehicle number and accurate odometer readings when fueling, reviewing all employees’ fuel purchases to determine whether they appear reasonable, and investigating any questionable purchases and taking action, as appropriate.
18. Work with its fuel vendor to determine if the vendor can add restrictions to the fuel cards, including restricting the days and times that fuel can be purchased with a fuel card or the number of times a fuel card can be used each week. If the vendor is not able to add these features, the District should implement another method for obtaining this information, such as requiring its bus drivers and other employees who fuel District vehicles to complete fuel logs so that it can match the vendor receipts to the logs to further ensure the appropriateness of fuel purchases and the use of the vehicles.
19. Require all employees who use fuel cards to sign a user agreement that directs them on appropriate fuel use and fueling procedures, as well as consequences for misusing the fuel cards.

**District response:** As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.





# SUMMARY OF RECOMMENDATIONS

## Auditor General makes 19 recommendations to the District

The District should:

1. Implement proper controls over its purchasing process by having the superintendent or District office administrative assistants review the vendor checks and supporting documentation before sending the payments (see Finding 1, pages 3 through 4, for more information).
2. Implement controls over its payroll process by including additional District employees in the process to ensure proper separation of responsibilities (see Finding 1, pages 3 through 4, for more information).
3. Ensure that employees' duties or additional duties and related payments are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the *Uniform System of Financial Records for Arizona School Districts*, and maintained in employee personnel files (see Finding 1, pages 3 through 4, for more information).
4. Establish and implement procedures to review employee pay to help ensure that employees are paid correctly and rectify any overpayments or underpayments made to employees (see Finding 1, pages 3 through 4, for more information).
5. Ensure that its superintendent's contract is structured in a manner in which up to 20 percent of the superintendent's total annual salary is classified as performance pay, and that the contract includes the performance goals the superintendent must meet in order to receive that portion of pay (see Finding 1, page 5, for more information).
6. Ensure that it retains adequate documentation to demonstrate that teachers met their performance pay goals (see Finding 1, page 5, for more information).
7. Limit users' access in the accounting system to help ensure that no employee can initiate and complete a transaction without an independent review and approval (see Finding 1, pages 5 through 6, for more information).
8. Ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attacks by limiting their use and/or remove the network access to these servers (see Finding 1, pages 5 through 6, for more information).
9. Implement and enforce stronger password requirements for its accounting and student information systems (see Finding 1, pages 5 through 6, for more information).
10. Create and implement a formal IT contingency plan, test it periodically to identify and remedy any deficiencies, and store backup drives in a secure location, separate from its server (see Finding 1, pages 5 through 6, for more information).
11. Continue working to seal the classroom building and address any potential health and safety hazards related to its fiscal year 2017 bat infestation (see Finding 2, pages 7 through 8, for more information).
12. Incorporate a bat prevention plan into its overall building preventative maintenance plan to protect it from future infestations and health and safety risks as recommended in consultant reports from the 2 prior bat

infestations (see Finding 2, pages 7 through 8, for more information).

13. Establish a formal written policy that states what preventative maintenance work will be completed at what mileage or time frame, perform bus preventative maintenance in accordance with its policy, and maintain documentation of preventative maintenance performed to comply with Minimum Standards and help ensure a safe transportation program (see Finding 3, page 9, for more information).
14. Ensure its bus drivers perform pretrip inspections and should maintain documentation of these inspections (see Finding 3, page 9, for more information).
15. Accurately calculate and report to ADE for State funding purposes the number of route miles traveled and actual number of students transported (see Finding 3, page 10, for more information).
16. Work with ADE to determine whether it should correct errors it made in reporting its fiscal year 2017 miles and riders (see Finding 3, page 10, for more information).
17. Implement proper controls over its fuel card process, such as requiring employees to record the vehicle number and accurate odometer readings when fueling, reviewing all employees' fuel purchases to determine whether they appear reasonable, and investigating any questionable purchases and taking action, as appropriate (see Finding 3, pages 10 through 11, for more information).
18. Work with its fuel vendor to determine if the vendor can add restrictions to the fuel cards, including restricting the days and times that fuel can be purchased with a fuel card or the number of times a fuel card can be used each week. If the vendor is not able to add these features, the District should implement another method for obtaining this information, such as requiring its bus drivers and other employees who fuel District vehicles to complete fuel logs so that it can match the vendor receipts to the logs to further ensure the appropriateness of fuel purchases and the use of the vehicles (see Finding 3, pages 10 through 11, for more information).
19. Require all employees who use fuel cards to sign a user agreement that directs them on appropriate fuel use and fueling procedures, as well as consequences for misusing the fuel cards (see Finding 3, pages 10 through 11, for more information).

## Objectives, scope, and methodology

We have conducted a performance audit of Solomon Elementary School District pursuant to A.R.S. §41-1279.03(A) (9). This audit focused on the District's efficiency and effectiveness in 4 operational areas: administration, plant operations and maintenance, food service, and student transportation because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2017, was considered.<sup>5</sup> Further, because of the underlying law initiating these performance audits, we also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent on instruction.

For very small districts, such as Solomon ESD, increasing or decreasing student enrollment by just 5 or 10 students or employing even 1 additional part-time position can dramatically impact the district's costs per pupil in any given year. As a result, and as noted in the fiscal year 2017 *Arizona School District Spending* report, very small districts' spending patterns are highly variable and result in less meaningful group averages. Therefore, in evaluating the efficiency of the District's operations, less weight was given to various cost measures, and more weight was given to our observations made at the District.

In conducting this audit, we used a variety of methods, including examining various records, such as available fiscal year 2017 summary accounting data for all districts and Solomon ESD's fiscal year 2017 detailed accounting data, contracts, and other District documents; reviewing District policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing District administrators and staff.

To compare districts' academic indicators, we developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. We also used secondary factors such as district type and location to further refine these groups. Solomon ESD's student achievement peer group includes Solomon ESD and the 22 other elementary school districts that also served student populations with poverty rates between 16 and 22 percent and were located in towns and rural areas. We compared the District's percentages of students who passed State assessments to its peer groups averages.<sup>6</sup> Generally, we considered the District's percentages to be similar if they were within 5 percentage points of peer averages and higher/lower if they were more than 5 percentage points higher/lower than peer averages. We also reported the District's Arizona-Department-of-Education-assigned school letter grade.

To analyze the District's operational efficiency, we selected a group of peer districts based on their similarities in district size and location. This operational peer group includes Solomon ESD and 52 other school districts that also served fewer than 200 students and were located in towns and rural areas. We compared the District's costs to its peer group averages. Generally, we considered the District's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 15 percent of peer averages, higher/lower if they were within 16 to 30 percent of peer averages, and much higher/lower if they were more than 30 percent higher/lower than peer averages. However, in determining the overall efficiency of the District's noninstructional operational

<sup>5</sup> Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

<sup>6</sup> The percentage of students who passed State assessments is based on the number of students who scored proficient or highly proficient on the Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) Math and English Language Arts tests and those who met or exceeded the State standards on the Arizona's Instrument to Measure Standards (AIMS) Science test. Test results were aggregated across grade levels and courses, as applicable.

areas, we also considered other factors that affect costs and operational efficiency such as square footage per student, as well as our observations and any unique or unusual challenges the District had. Additionally:

- To assess whether the District's administration effectively and efficiently managed District operations, we evaluated administrative procedures and controls at the District, including reviewing personnel files and other pertinent documents and interviewing District administrators about their duties. We also reviewed and evaluated fiscal year 2017 administration costs and compared them to peer districts'.
- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, we reviewed and evaluated fiscal year 2017 plant operations and maintenance costs and use of District building space and compared these costs and use of space to peer districts'. We also toured the District's school and reviewed consultant reports from the District's fiscal year 2000 and fiscal year 2017 bat infestations.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, we reviewed fiscal year 2017 food service revenues and expenditures, including labor and food costs; compared costs to peer districts; and observed food service operations.
- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, we reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records for the District's 6 buses, and bus routing. We also reviewed fiscal year 2017 transportation costs and compared them to peer districts'. To analyze the District's fuel purchases and usage, we reviewed vendor fuel invoices for December 2016 through June 2017.
- To assess whether the District complied with Proposition 301's Classroom Site Fund requirements, we reviewed fiscal year 2017 expenditures to determine whether they were appropriate and if the District properly accounted for them. We also reviewed the District's performance pay plan and analyzed how it distributed performance pay.
- To assess the District's financial accounting data, we evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2017 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 30 of the 40 individuals who received payments in fiscal year 2017 through the District's payroll system and reviewed supporting documentation for 30 of the 2,732 fiscal year 2017 accounts payable transactions. We also evaluated other internal controls that we considered significant to the audit objectives and reviewed fiscal year 2017 spending and prior years' spending trends across operational areas.
- To assess the District's computer information systems and network, we evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. We also evaluated certain District policies over the system such as data sensitivity, backup, and recovery.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

## Solomon Elementary School District #5

2250 South Steven Ave.  
928-428-0477  
Fax: 928-428-0398  
Www. Solomon.k12.az.us

July 22, 2019

Ms. Lindsey Perry, Manager  
Office of the Auditor General  
2910 N 44<sup>th</sup> St., Suite 410  
Phoenix, Az. 85018

Dear Ms. Perry,

The Solomon Elementary School District respectfully submits its response to the Performance Audit for the 2018 fiscal year conducted by the Office of the Auditor General. We extend our thanks to the AG Staff for their consideration, professional conduct and the information and guidance offered to the District during the audit process.

The District concurs with the findings and recommendations resulting from the audit. We continually strive to perform at the highest levels of academic and fiscal management. The District welcomes any and all constructive input to that end. We will endeavor to ensure that the findings and recommendations are addressed and resolved expeditiously.

Solomon Elementary School District has a long and proud history of delivering a sound educational experience to its students and families. Solomon holds a well-deserved reputation for excellence within the community and with its peer Districts. We will use the input from the audit to make improvements in our operations to maintain that legacy.

Respectfully Yours,

Kevin W. England  
Superintendent

**Finding 1:** District's inadequate accounting and computer controls increased risk of errors and fraud and led to incorrect payments

District Response: The District agrees with the finding.

As a small school district the recommended separation of duties is not always possible. We will review our policies and procedures to ensure compensating controls are in place to provide the greatest protection possible to prevent the risk of errors and fraud.

**Recommendation 1:** The District should implement proper controls over its purchasing process by having the superintendent or District office administrative assistants review the vendor checks and supporting documentation before sending the payments.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will develop a policy and procedure where two employees will review the vendor checks and supporting documentation before mailing.

**Recommendation 2:** The District should implement controls over its payroll process by including additional District employees in the process to ensure proper separation of responsibilities.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

The District will develop a policy and procedure where two employees will review the payroll for accuracy to prevent over/underpayments..

**Recommendation 3:** The District should ensure that employees' duties or additional duties and related payments are addressed in annual contracts or personnel/payroll action forms, approved in advance of the work being performed as required by the *Uniform System of Financial Records for Arizona School Districts*, and maintained in employee personnel files.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will review and revise their current procedures.

**Recommendation 4:** The District should establish and implement procedures to review employee pay to help ensure that employees are paid correctly and rectify any overpayments or underpayments made to employees.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will develop a policy and procedure where two employees will review the payroll for accuracy to prevent over/underpayments.

**Recommendation 5:** The District should ensure that its superintendent's contract is structured in a manner in which up to 20 percent of the superintendent's total annual salary is classified as performance pay, and that the contract includes the performance goals the superintendent must meet in order to receive that portion of pay.

District Response: The District agrees with the recommendation and will implement the recommendation.

September board meeting the board will approve Superintendent's performance pay contract for fiscal year 2020

**Recommendation 6:** The District should ensure that it retains adequate documentation to demonstrate that teachers met their performance pay goals.

District Response: The District agrees with the recommendation and will implement the recommendation.

Documentation's/Survey's will be kept on file not just an overall tally.

**Recommendation 7:** The District should limit users' access in the accounting system to help ensure that no employee can initiate and complete a transaction without an independent review and approval.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will review all user roles and access. The District will enact controls and access to accounting system to only those needing access to perform the business of the District.

**Recommendation 8:** The District should ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attacks by limiting their use and/or remove the network access to these servers.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will work with the IT department to create a district technology plan that includes a timeline for upgrading old operating systems.

**Recommendation 9:** The District should implement and enforce stronger password requirements for its accounting and student information systems.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has since implemented and enforced stronger password requirements for staff. These requirements meet common guidelines for strong passwords.

**Recommendation 10:** The District should create and implement a customized written IT contingency plan, test it periodically to identify and remedy any deficiencies, and store backup drives in a secure location, separate from its server.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will develop a contingency plan to ensure it is thorough and meets the needs of the district. We will also build ways to test the plans effectiveness.

**Finding 2:** Bat infestations created potential health and safety concerns

District Response: The District agrees with the finding.  
The District will continue to inspect and seal any openings that the bats can enter.

**Recommendation 11:** The District should continue working to seal the classroom building and address any potential health and safety hazards related to its fiscal year 2017 bat infestation.

District Response: The District agrees with the recommendation and will implement the recommendation.

The School District will continue to work on the recommendation. The School along with SFB have replaced entire roof. Replacing plywood, felt pad, replaced ceramic tiles with shingles. All fascia replaced with screened vents to prevent and alleviate bats from entering attic.

**Recommendation 12:** The District should incorporate a bat prevention plan into its overall building preventative maintenance plan to protect it from future infestations and health and safety risks as recommended in consultant reports from the 2 prior bat infestations.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District is in the process of adding a bat prevention plan in our building maintenance preventative plan. We will continue to inspect and seal any openings that the bats can enter.

**Finding 3:** District needs to improve transportation program oversight

District Response: The District agrees with the finding.  
The District has already implemented new procedures for the oversight of the transportation program.

**Recommendation 13:** The District should establish a formal written policy that states what preventative maintenance work will be completed at what mileage or time frame, perform bus preventative maintenance in accordance with its policy, and maintain documentation of preventative maintenance performed to comply with the Minimum Standards and help ensure a safe transportation program.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has a plan implemented for maintenance and mechanics which comply with the Minimum Standards. Documentation is kept on file of each inspections and mileage logs.

**Recommendation 14:** The District should ensure its bus drivers perform pretrip inspections and should maintain documentation of these inspections.

District Response: The District agrees with the recommendation and will implement the recommendation.

The bus drivers are required to perform pretrip inspections and maintain documentation before proceeding on any trips.

**Recommendation 15:** The District should accurately calculate and report to ADE for State funding purposes the number of route miles traveled and actual number of students transported.

District Response: The District agrees with the recommendation and will implement the recommendation.

District has instituted a procedure where bus drivers perform a hard count of riders on each trip using a counter and records the data on a daily basis. That data will then be used to report student counts to ADE. A mileage log is also kept on each bus and data is recorded on a daily basis.

**Recommendation 16:** The District should work with ADE to determine whether it should correct errors it made in reporting its fiscal year 2017 miles and riders.

District Response: The District agrees with the recommendation and will implement the recommendation.

The School District will work with ADE on correcting errors.

**Recommendation 17:** The District should implement proper controls over its fuel card process, such as requiring employees to record the vehicle number and accurate odometer readings when fueling, reviewing all employees' fuel purchases to determine whether they appear reasonable, and investigating any questionable purchases and taking action, as appropriate.

District Response: The District agrees with the recommendation and will implement the recommendation.

Fuel cards will be used to fuel busses. Odometer and vehicle number will be documented on each fuel purchase to ensure there is no misuse of fuel cards. Fuel purchases for riding tractor will be documented on receipts when no odometer reading is available.

**Recommendation 18:** The District should work with its fuel vendor to determine if the vendor can add restrictions to the fuel cards, including restricting the days and times that fuel can be purchased with a fuel card or the number of times a fuel card can be used each week. If the vendor is not able to add these features, the District should implement another method for obtaining this information, such as requiring its bus drivers and other employees who fuel District vehicles to complete fuel logs so that it can match the vendor receipts to the logs to further ensure the appropriateness of fuel purchases and the use of the vehicles.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District has since implemented and requires bus drivers and employees that fuel school vehicles to complete fuel logs to be kept on file with receipts.

**Recommendation 19:** The District should require all employees who use fuel cards to sign a user agreement that directs them on appropriate fuel use and fueling procedures, as well as consequences for misusing the fuel cards.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will create a user agreement for fueling procedures and misuse of fuel cards for employees to sign

